GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4109
ANSWERED ON:18.08.2000
PUBLIC ISSUE OF SEBI
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government have received representations from Investors Organisation regarding change in rules for approval of public issues by SEBI;

(b) if so, the points raised by the Investors Organisation;

(c) the Government response thereon; and

(d) the steps taken by the Government to make the public issues norms more strict and strong in the interest of small investors?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b) The Government has received suggestions from Investors` Associations on various issues related to capital markets, which include, inter alia, stricter entry norms for companies wishing to raise funds from the capital market; uniform entry norms for listed and unlisted companies; higher disclosure standards; monitoring of funds raised; and education of investors.

(c) & (d) The Government and the market regulator, the Securities and Exchange Board of India (SEBI) are committed to promoting better investor awareness of the risk-return trade-offs in capital market instruments and in improving protection of investors. In this context Government constantly reviews relevant Acts, rules and regulations.

SEBI has strengthened entry norms to provide that IPOs of issue size upto 5 times the pre-issue networth shall be allowed only if the company has track record of profitability and networth as specified in the SEBI Guidelines; others can make IPOs only through the book building route, in which case 60% of the issue size shall be allocated to `Qualified Institutional Buyers` (QIBs). IPOs and public issues by listed companies of more than 5 times the pre-issue networth shall be allowed only through the book building route, with 60% of the issue size allocated to QIBs. The lock in provisions applicable in respect of initial public offers have also been rationalised.

Further, all companies making public or rights issue of debt instruments have to obtain credit rating. The appraising agency has to bring in the required contribution before the opening of the issue.